



The APPRAISER

A PUBLICATION OF THE ARKANSAS APPRAISER LICENSING & CERTIFICATION BOARD

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Board's Annual Seminar to be April 22

Arkansas appraisers should be looking for news and a registration form in their mailboxes soon for the annual "A Day With the Board" seminar that will be held this year on Tuesday, April 22, at the Wyndham Hilton (formerly Riverfront) in North Little Rock.

Final arrangements are being made now for the event at which appraisers can earn seven hours of continuing education credit by attending.

Highlighting the program will be a representative of Fannie Mae who will discuss the federal agency's latest guidelines with emphasis on manufactured housing and basements.

Another guest speaker, as yet unconfirmed, is expected to discuss the potential uses and applications by appraisers of the Geographic Information System (GIS).

Two of Arkansas' own appraisal instructors/lecturers — Calvin Moye of Fort Smith and David Reinold of Russellville — will be present to address various profession-wide concerns and be on a panel to answer questions that appraisers ask most frequently.

As always, a closing panel of Board members and staff will handle any additional questions from participants as well as concerns about revised rules and regulations and any emerging issues from AQB, ASB, etc.

Opinion of Value

By Jim Martin

Executive Director

Maybe you're one of the many Arkansas appraisers who has not been the subject of a complaint. In that case, you've probably never given any thought to the Appraiser Licensing and Certification Board's process for resolving complaints against appraisers.

Complaints are received against only about 5 percent of the in-state licensed appraisers each year. This means the odds you will become the subject of a complaint increase every year you're in practice, and you should be acquainted with the relatively simple design of the agency's complaint resolution process.

When the Board receives a complaint, the appraiser is notified and invited to respond. An investigation is made, and the results are placed

before a "Probable Cause Panel" of two Board members and staff. The Panel determines whether the complaint should be dismissed for lack of merit or referred to a Non-Judicial Hearing. If you are invited to appear for such a hearing someday, your reaction may be one of panic—at which point you call your attorney or you call the Board's office and ask, "**What Is a Non-Judicial Hearing???**"

This is really just the Board's term for an informal conference — a meeting at which you may share your side of the story about a complaint and respond to questions from Board members about a specific appraisal report(s) under consideration.

You received the invitation to the meeting because the Probable

Cause Panel decided there were some questions that needed to be asked about your appraisal development or reporting or that the circumstances surrounding the complaint were such that an informal conference appeared to be the most expedient means to resolve the matter and avoid the time and expense of a formal Board hearing, which is more like a trial or full-blown administrative hearing.

After hearing your explanations and considering any other material facts gathered in the investigation, the Non-Judicial Hearing panel will make a preliminary finding from among three options: 1) dismiss the complaint and close the file for lack of merit; 2) refer the case to the Board for a hearing; or 3) enter

(See *VALUE*, page 4)

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"The Appraiser" is seeking timely articles or comments on practical appraisal subjects of interest to both residential and nonresidential appraisers from appraisers, lending institutions, and other mortgage lenders. The articles or letters should be sent to the Board's office at the above address.

Entered as second class matter:
United States Postal Service
Little Rock, Arkansas 72201

Brainerd Joins Staff as Investigator

Mary Lou Brainerd of Mena resigned from the Arkansas Licensing and Certification Board in December to become the agency's first full-time investigator effective Jan. 19.

Brainerd's second and final three-year term on the Board expired in January, but Chairman Tom Scott of Little Rock said both she and the agency felt it was appropriate for her to resign immediately when she accepted the new staff position.

The Legislative Council authorized the Board to fill the investigator slot last year because the volume of complaints against appraisers had outstripped the ability of the agency's then two-person staff to process all of them in a timely manner.

Scott said 11 persons responded to the Board's ad for an investigator, and 8 of them were in-



Mary Lou Brainerd

terviewed before the field was narrowed to 3 candidates. Brainerd was "exactly what we were looking for," he said, "because she listens well, is technically competent, and she has the personal demeanor we need—her attitude is that someone is innocent until proven guilty."

Brainerd sold her real estate appraisal business in Mena, but she and her retired husband, Phil, will maintain their home in the Polk County city. However, she will live in a Little Rock area apartment during the work week.

Gov. Mike Huckabee appointed Brainerd to her initial Board term in 1997 and reappointed her in 2000. She previously served as Board chairman.

Until Phil retired in 1990, Brainerd was business manager for her husband's helicopter agriculture application service. She then became interested in real estate and discovered appraising was her niche.

Brainerd is a certified general appraiser in Arkansas and Oklahoma and a founding member of the National Association of Realtors Appraisal Section.

She is involved in prison evangelism work, has three sons, four grandsons and one granddaughter, and loves singing and the outdoors.

HUD Targets Predatory Lending

The Department of Housing and Urban Development (HUD) published a proposed "lending accountability" rule in the *Federal Register* Jan. 13 that is designed to protect homebuyers from predatory lenders.

Predatory lending occurs when an unsuspecting homebuyer purchases a home for a price far in excess of the fair market value or is overcharged substantially on costs associated with obtaining a mortgage as a result of lenders, sellers and appraisers, often working together.

The proposed new rule is designated as "**FR-4722 Lender Accountability for Appraisals.**"

The rule makes lenders strictly accountable for the quality of the appraisals done by the appraisers they hire. If lenders submit appraisals to HUD that do not meet Federal Housing Administration (FHA) requirements, the lenders will be subject to sanctions imposed by HUD's Mortgagee Review Board.

A HUD spokesman said the agency hopes the rule will assure that homebuyers receive accurate statements of appraised values on the homes they buy using FHA mortgage insurance. The spokesman said the rule will be revised into final form for implementation after consideration of public comments.

Complaints Last Year Nearly Double 2001

The number of complaints filed against Arkansas appraisers last year set a record at 39 involving 48 individuals—nearly double the total in 2001.

Eighteen of the complaints came from the general public. Six each came from government agencies, including Fannie Mae; peer review appraisers; and from mortgage lending companies; two were by the Arkansas Licensing and Certification Board itself; and one was filed anonymously.

Two-thirds of the complaints involved residential properties. Five of the complaints were about the appraiser's ethics and/or his or her lack of professionalism and competency.

At this writing, 34 of the 39 complaints have been processed through the Probable Cause level. Fifteen of the 34 were dismissed at the probable cause point for lack of merit. Of those remaining, 15 were referred for Non-Judicial Hearings or informal conferences, and 4 were sent to the full Board for administrative hearings. Two of the four referred to the Board involved the same appraiser who was killed in an auto accident before his hearing date.

These were the actions taken involving the 15 cases referred for Non-Judicial Hearings: 2 were dismissed; 6 were resolved through consent agreements (though one was settled without a conference when the appraiser surrendered his license); 2 were referred to the full Board (though one eventually was resolved with a consent degree before it actually was heard by the Board); and 5 cases are awaiting Non-Judicial Hearings.

Five complaints are still in various investigation stages.

The driving forces behind the complaints were: 1) Consuming public's unhappiness with the value conclusion, thinking the amount was too high or low; 2) Foreclosed property reviews resulted in questionable values and appraisal techniques by the original appraiser; 3) Failure to select appropriate sales from within the defined neighborhood and/or using non-existent sales; 4) Using subject photos containing the borrower; 5) Failure to describe the subject property adequately (omitting existing structures or overstating the number of improvements); 6) Failure to analyze previous sales of the subject and/or comparable sales; and 7) Failure to perform contracted services in a timely manner.

As mentioned earlier, almost half of the 2002 complaints were dis-

missed at the probable cause level for lack of clear and convincing evidence of a violation. This percentage of dismissal has been consistent throughout the Board's 11 years of operation.

Since 1991, the Board has logged 210 complaints of which more than 100 were dismissed. Slightly more than 90 percent of those remaining were worked out at the Non-Judicial Hearing (informal conference) level through stipulated agreements. Therefore, fewer than 10 percent of the complaints against appraisers go before the full Board for administrative hearings, making the odds slim that a complaint filed against an appraiser will reach the Board for a full hearing.

The Board Is Moving!

Effective March 18, 2003,

**the
Arkansas Appraiser Licensing
and Certification Board**

will be located at:

**101 East Capitol Ave., Suite 430
Little Rock, Arkansas 72201**

**Telephone and fax numbers
remain the same**

Hours: 8 a.m.-4:30 p.m.

Board Suspends Licenses of 2 Appraisers

The Arkansas Appraiser Licensing and Certification Board recently suspended the licenses of two Certified Residential Appraisers because of USPAP violations.

The two are **Ben Pixley**, CR0562, of Fort Smith, and **Sylvia Duke**, CR1332N, a reciprocal licensed appraiser from Kentucky.

Pixley stipulated to a Consent Agreement that, among other sanctions, provided for a three-month li-

cense suspension in lieu of appearing before the full Board at an administrative hearing.

Formal charges against Pixley set forth in an Order and Notice of Hearing cited two complaints filed against him on residential properties by a peer reviewer and a mortgage company.

Pixley was accused in one report of using inflated listings for sales and for having certified that

he had inspected the interior of the subject property when he did not. The second complaint involved two reports within months of each other on the same property that were vastly different in value and contained numerous errors and omissions that were deemed to make the reports misleading.

In addition to the license suspension that began Nov. 22, 2002, Pixley was fined \$2,000, was required to take a USPAP course with exam, and his license was placed on probation for nine months following the suspension, during which time he is to provide the Board with a monthly log of all appraisal assignments.

Duke had her Arkansas license suspended following an administrative hearing before the full Board Dec. 4, 2002.

She was charged with failure to complete the requirements of an order the Board had issued against her on Feb. 4, 2002, after an administrative hearing before the full Board.

In the first order, Duke was required to take a course of 14 or more hours on "Highest and Best Use." She neglected to take advantage of a number of offerings of the course and failed to respond to the Board's request for confirmation of specific plans to complete the course.

In the Board's latest order, it gave Duke 30 days in which to complete any pending assignments with the suspension beginning Jan. 13, 2003. The suspension will continue until she provides proof that she has completed the "Highest and Best Use" course successfully. If she fails to do this by May 1, 2003, however, the suspension will be continued until Duke appears before the full Board.

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into a mutual agreement or settlement, which is what happens in a majority of cases.

If the panel members believe there has been a violation, they will discuss possible conditions they believe will be acceptable to the Board to settle the complaint. The Board members submit the conditions to the appraiser. If the appraiser accepts, a copy of the Consent Agreement is presented for the appraiser's signature before the next Board meeting.

No conclusion or agreement reached at the Non-Judicial Panel level is ever final. Any finding or settlement must be presented to and ratified by the full Board at a regular meeting.

Appraisers are not required to attend Non-Judicial Hearings. Their appearance is entirely voluntary. However, the agency has no choice under these circumstances but to air the complaints at a full Board hearing.

If you attend a Non-Judicial Hearing and are unwilling to accept what the panel is recommending as part of an agreement or settlement, you are entitled to an administrative hearing before the full Board. Such a hearing is conducted only after formal charges are made and an

order and notice of hearing have been sent to the appraiser.

The Board does not bar an appraiser from having his or her attorney present at a Non-Judicial Hearing, but the Board does not encourage this because no formal charges are being considered. If an appraiser plans to bring his/her attorney to such a hearing, the Board should be notified in advance because its attorney will have to be present. To date, no attorneys have been present at Non-Judicial Hearings.

Only you can make the decision about whether to accept an invitation to appear at a Non-Judicial Hearing. Many license holders have benefited from the informal conference procedure and the face-to-face encounters have resolved a significant number of complaints without the time and expense of administrative hearings. They often result in closing a complaint because of the licensee's explanation and discussions. In most cases, it has been an educational experience for the appraiser. Of course, there is some risk. For example, you may admit violations of a law or rule that could be introduced into evidence at a later hearing.

(See VALUE, page 6)

2003 USPAP Key Changes Outlined

The revised Uniform Standards of Professional Appraisal Practice (USPAP) that went into effect Jan. 1, 2003, includes these key changes:

- The word appraisal was dropped from the *Comment* to the definition of *Appraisal Review*. The Appraisal Standards Board (ASB) said this was necessary to be consistent with changes to STANDARD 3.

- The ETHICS RULE was edited to clarify that an individual... ***should comply any time that individual represents that he or she is performing the service as an appraiser.***

- **Standards Rules 1-5** was modified to require that appraisers analyze all previous sales of the subject property in the last three (3) years for all types of real property if such information is available in the normal course of business.

- **Standards Rule 1-6** is new and was added to demonstrate clearly that reconciliation is a separate component of the appraisal process rather than a function within the analysis of sales history.

- **Statement No. 7 (SMT-7) and Advisory Opinion 3 (AO-3):** the statement was amended to remove certain language pertaining to commonly used terminology that was moved into AO-3. AO-3 was revised to provide new requirements and advice about "updates" of previous appraisal reports.

- **Advisory Opinion 9 (AO-9):** This was revised to provide appraisers with a better understanding of USPAP's application in appraising properties impacted by environmental contamination.

Status Report

As of January 31, 2003, the Board's records showed these totals for appraisers:

State Certified General	387
State Certified Residential	324
State Licensed	120
State Registered	306

(Includes Temporary and Non-Resident Appraisers)

NEXT EXAM April 5, 2003

Potential applicants should contact the Board's staff for current information on the application process, exam schedules, fees, and other licensing matters by calling (501) 296-1843, or use it's website at

www.state.ar.us/alcb/

or write the Appraiser Licensing and Certification Board Office at 101 East Capitol Ave., Suite 430, Little Rock, AR 72201.

Education Offerings

The Columbia Institute — Contact 1-800-460-3147. "Reviewing Complex Residential Appraisal," #208, 16 hours QE/CE, April 7-8; "Mold Insights," 4 hours CE, May 7; USPAP Update, 8 hours, May 8; "Fannie Mae Appraisal Guide," 8 hours, May 9; "Appraisal Insights," 8 hours, May 10. All in Little Rock. USPAP Update, 8 hours CE, June 9-10 and "Fannie Mae Appraisal Guide," 8 hours CE, June 10, in Bentonville.

The Lincoln Graduate Center — Contact 1-800-531-5333 for information.

National Association of Independent Fee Appraisers — Contact 1-800-335-1751 for information.

RCI Career Enhancements - Contact David Reinhold at (479) 968-7752. 2003 National USPAP Update, 7 hours CE, March 3 in Springdale; 2003 National USPAP Update, 15 hours, March 17-18 in Hot Springs; "Methods of Appraising Timberlands," 15 hours QE, April 28-29 in Hot Springs; 2003 National USPAP Update, 7 hours, CE, May 12 in Hot Springs; "Shade and Ornamental Tree Appraisal for RE Appraiser," 8 hours CE, May 13 in Hot Springs; 2003 National USPAP Update, 7 hours, June 2 in Russellville.

FYI—

To maintain consistency in the application of its policies, the Arkansas Appraiser Licensing and Certification Board has decided that any experience claimed for qualifying for a state license or certification must have been acquired as a state registered appraiser.

The Board discussed this issue as it related to trainees working under the supervision of a state licensed or certified appraisers and came to the conclusion that any type of appraisal experience claimed for purposes of licensure would be acceptable only if it were completed under the supervision of a state licensed/ certified appraiser. This includes persons in the mass appraisal field who subsequently may elect to claim specific work experience for licensure designation. Their claim for work experience would be negated without registration.

Are You Competent?

The USPAP Competency Rule requires that before an appraiser accepts an assignment or enters into an agreement to perform an assignment, he or she must identify the problem to be addressed properly and have the knowledge and experience to complete it competently.

If the appraiser lacks the requisite knowledge and experience, he or she must disclose this to the client, take steps to complete the assignment competently, and describe the lack of knowledge and experience in the report as well as what steps were taken to complete the assignment competently.

Competency can apply to geographic area; market area; property type; and/or appraisal methodology. For example, an appraiser may have the knowledge and experience to appraise residential proper-

ties within a certain city but may not be competent to do the same for farms located within the city. Or an appraiser may be competent to perform a sales comparison approach but not so to perform an income approach appraisal on a commercial property.

Just because an appraiser has obtained a level of licensure does not mean that he or she is automatically competent to perform all assignments associated with the license level. For example, a state certified general appraiser is allowed to appraise a nuclear power plant but may not be competent to do this!

If an appraiser does not have the requisite knowledge and experience to perform an appraisal, he or she either should affiliate with an appraiser who does or should decline the assignment.

AQB Clarification

In response to a question from several state boards and education providers, the Appraisal Qualifications Board has issued a clarification about whether an individual who seeks licensure/ certification after Jan. 1, 2003, must have completed the 2003 version of the 15-hour National USPAP Course or its equivalent successfully.

ASB says the answer to this is no.

If the applicant took a USPAP course that was acceptable to his or her state at the time the course was taken, AQB's intent is not to require the person to retake the 15-hour National USPAP Course or its equivalent. However, it is within each state's discretion to exceed the AQB's minimum and require prospective licensees to successfully complete the 2003 edition of the 15-hour National USPAP Course or its equivalent if it chooses to do so.

For example, if a trainee successfully completed a state-accepted 15-hour USPAP course in 2001 and since had acquired the balance of the needed experience and education and now wants to sit for the appropriate examination, the AQB does not intend for the individual to complete another 15-hour USPAP course before licensure. Those who take a USPAP course after Jan. 1, 2003, must conform to the new criteria that require individuals seeking USPAP credit from their states to have taken the 15-hour National USPAP Course or its equivalent.

New Education Requirements Told

The new USPAP education requirements that went into effect Jan. 1, 2003, were incorporated in the revised rules and regulations of the Arkansas Appraiser Licensing and Certification Board last September.

The requirements, adopted by the Appraiser Qualifications Board, are:

- The course material to meet the 15-hour USPAP qualifying education level must be the 15-hour National USPAP Course or its equivalent.
- The existing continuing education requirement of 14 hours a year does not change. As part of this requirement, however, at least 7

hours of USPAP coursework must be taken once every two years.

- The course material for the 7-hour USPAP continuing education requirement must be the 7-hour National USPAP Update Course or its equivalent.
- For a student to receive state credit, the USPAP courses he or she took must have been taught by an AQB Certified USPAP Instructor who also is a state certified appraiser.
- Course equivalency is determined by the AQB through its Course Approval Program.

Value

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It is up to the Probable Cause Panel to determine whether a complaint should be submitted to a Non-Judicial Hearing. If an appraiser already has received a notice of formal charges, no informal conference will be held. In this case, the appraiser has the option of making a proposed settlement to the full Board.

A Non-Judicial Hearing probably isn't in your future if you continue to develop and report appraisals in compliance with USPAP. But if it happens, you will find it is not a difficult process through which to resolve a complaint.

Question & Answer: ASB Tells How

(Editor's Note: *The Appraisal Standards Board ((ASB)) does not establish new standards or interpret existing ones. It issues Q&A to inform appraisers, regulators, and users of appraisal services about ASB responses to questions raised; to illustrate the applicability of USPAP in specific situations; and to help resolve appraisal issues and problems. The ASB Q&A does not constitute a legal opinion.*)

Question: Why are appraisers required to report the scope of work in an appraisal, appraisal review, or appraisal consulting report?

Answer: It is necessary to avoid misleading communication. "Scope of Work" is defined as: the amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to 1) the degree to which the property is inspected or identified; 2) the extent of research into physical or economic factors that could affect the property; 3) the extent of data research; and 4) the type and extent of analysis applied to arrive at opinions or conclusions.

Documenting Scope of Work provides the intended users with a clear understanding of the extent of the research and analysis that was done. It also protects both the client and the appraiser by detailing things that were or were not done in the assignment.

Question: Can the purpose of an appraisal consulting assignment be to develop an opinion on the quality of another appraiser's work?

Answer: No. Standard 4 states, in part, that "An opinion of value or ***an opinion about the quality of another appraiser's work cannot be the purpose of an appraisal consulting assignment.*** Developing an assignment for those purposes is an appraisal or an appraisal review assignment, respectively. Misrepresenting the purpose of an assignment performed under this Standard is a violation of the ETHICS RULE. (Bold italics added for emphasis.)

Question: May an appraiser express his or her opinion of value in an

appraisal consulting assignment, or must the appraiser use an opinion of value developed and reported by another appraiser?

Answer: An appraiser may develop and report his or her opinion of value as part of the appraisal consulting assignment.

The Comment to Standard 4 states, in part, that "In some assignments, the opinion of value may originate from a source other than the consulting appraiser. In other assignments, the consulting appraiser may have to develop the opinion of value as a step in the analyses leading to the assignment results."

If the appraiser develops an opinion of value as part of an appraisal consulting assignment, the appraisal component must be reported in conformance with the applicable sections of Standard 2. The Comment to Standards Rule 5-2(h) states, in part, that if an opinion of value was developed by the consulting appraiser, the appraisal consulting report must include the information required to comply with Standards Rule 2-2(a) or (b)(ii). Standards Rule 2-2(c)(ii) through (xi) also is permitted if the client is the only intended user of the assignment results.

Question: Does USPAP require appraisers to develop an "as vacant" highest and best use for an improved subject property?

Answer: No. Standards Rule 1-3 (b), a specific requirement, mandates an appraiser to develop an opinion of the highest and best use of the real estate.

The Comment says, in part, that the appraiser must recognize that land is appraised as though vacant and available for development to its highest and best use, and that the appraisal of improvements is based on their actual contribution to the site. Therefore, USPAP requires that an appraiser develop an opinion of the highest and best use of an improved property, only as it is improved. Appraisers should be aware, however, of supplemental standards relating to this issue.

Question: I have been asked to provide a Restricted Use Appraisal Report, but I would like to be descriptive

in part of the report. Does USPAP preclude appraisers from including detailed analysis in a Restricted Use Appraisal Report?

Answer: No. USPAP only sets forth the ***minimum*** content requirements for all three reporting options: Self-Contained, Summary, and Restricted Use. An appraiser is always free to add to the minimum requirements.

Question: A client recently asked me to perform a feasibility study on a potential retail development. No value conclusions are included in the Scope of Work assignment agreement worked out with the client, but I have been asked to provide many of the components that could lead to a value conclusion, such as potential income streams, capitalization rates, cost estimates, etc. I have done numerous appraisal assignments for this client and am certain I was chosen for this, in large part, because I'm an appraiser. Does this assignment fall within appraisal practice? And, must I comply with USPAP in completing the assignment?

Answer: Yes. This assignment would fall under appraisal practice, defined in USPAP as *valuation services, including **but not limited to** appraisal, appraisal review, or appraisal consulting performed by an individual as an appraiser.* (Bold added for emphasis.)

The Comment to this states that *Appraisal practice is provided only by appraisers, while valuation services are provided by a variety of professionals and others. The terms appraisal, appraisal review, and appraisal consulting are intentionally generic and are not mutually exclusive. For example, an opinion of value may be required as part of an appraisal review and is required as a component of the analysis in an appraisal consulting assignment. The use of other nomenclature for an appraisal, appraisal review, or appraisal consulting assignment (e.g., analysis, counseling, evaluation, study, submission, or valuation) does not exempt an appraiser from adherence to USPAP.*

The feasibility analysis cited in this question falls with the scope of appraisal practice; however, because it is not an appraisal, appraisal review, or appraisal consulting assignment as de-

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defined in USPAP, it does not fall within STANDARDS 1-10. Therefore, the applicable sections of USPAP would be the DEFINITIONS, the PREAMBLE, the ETHICS, COMPETENCY, JURISDICTIONAL EXCEPTION and SUPPLEMENTAL STANDARDS RULES, as applicable to the assignment.

Question: I recently was asked to do an appraisal assignment on which the individual who contacted my firm was not the client and indicated that the client could not be identified. Can I accept this assignment and comply with USPAP?

Answer: No. Standards Rule 1-2, a binding requirements, states in part that *in developing a real property appraisal, an appraiser must (a) identify the client and other intended users; ...*

The Comment to this states that *Identification of the intended use is necessary for the appraiser and the client to decide: the appropriate scope of work to be completed, and the level of information to be provided in communicating the appraisal. An appraiser must not allow a client's objectives or intended use to cause an analysis to be biased.*

This does not prohibit a third party, acting as an agent for the client, from ordering an appraisal; however, the appraiser must be able to identify the client. Refer to STATEMENT No. 9 for additional discussion of identification of the client and intended users.

Question: I am an appraiser performing an appraisal, appraisal review, or an appraisal consulting assignment. I am required by law, regulation, agreement, or choice to follow USPAP. Is this still true if I don't charge a fee for my service?

Answer: Yes. The applicability of USPAP is not affected by the amount of or the lack of a fee.

Question: A client asked if I would be willing to reduce the fee for appraisals in those cases in which the loans did not close if the client agree to pay extra for another assignments. Would this be ethical?

Answer: No. The Management Section of the ETHICS RULE states, in part: *It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent on the occurrence of a subsequent event directly related to the appraiser's opinions*

and specific to the assignment's purpose.

As with other related prohibitions in this section of the ETHICS RULE, such contingencies are not allowed because they can inspire unethical behavior and erode public trust in professional appraisal practice.

Question: I have an assignment that involves a tract of land that is improved with two structures. However, the client has asked that I appraise the underlying land and only one of the two structures and not mention the other structure. Is it ethical to not disclose the existence of the second structure?

Answer: No. The Conduct section of the ETHICS RULE states that *An appraiser must not communicate assignment results in a misleading or fraudulent matter. An appraiser must not use or communicate a misleading or fraudulent report or knowingly permit an employee or other person to communicate a misleading or fraudulent report.*

In the situation described, performing an appraisal without disclosing the existence of both structures in the report would be misleading.

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